

BEFORE THE IDAHO BOARD OF TAX APPEALS

JUPITER, LLC,	)	
	)	
Appellant,	)	APPEAL NOS. 14-A-1107
	)	AND 14-A-1108
v.	)	
	)	FINAL DECISION
BANNOCK COUNTY,	)	AND ORDER
	)	
Respondent.	)	
	)	
	)	
	)	

---

**COMMERCIAL PROPERTY APPEALS**

These appeals are taken from decisions of the Bannock County Board of Equalization denying the protest of valuation for taxing purposes of properties described by Parcels Nos. RPKHM000400 and RPKHM000300. The appeals concern the 2014 tax year.

These matters came on for hearing October 29, 2014 in Pocatello, Idaho before Board Member David Kinghorn. Manager Gary Clark appeared at hearing for Appellant. Assessor Dave Packer represented Respondent.

Board Members David Kinghorn, Linda Pike and Leland Heinrich participated in this decision.

**The issue on appeal concerns the market values of two (2) improved commercial properties.**

**The decisions of the Bannock County Board of Equalization are affirmed.**

FINDINGS OF FACT

Appeal No. 14-A-1107 - Parcel No. RPKHM000400 (Lot 4)

The assessed land value is \$52,533, and the improvements' valuation is \$122,695, totaling \$175,228. Appellant contends the correct land value is \$40,000, and the improvements' value is \$65,000, totaling \$105,000.

Appeal No. 14-A-1108 - Parcel No. RPKHM000300 (Lot 3)

The assessed land value is \$51,688, and the improvements' valuation is \$123,540, totaling \$175,228. Appellant contends the correct land value is \$40,000, and the improvements' value is \$65,000, totaling \$105,000.

Together the subject properties are part of a five (5) building office complex built in 1985 on Yellowstone Avenue in Pocatello, Idaho. The total building size, encompassing both parcels, consists of 4,992 square feet of dental office space. These two (2) appeals were consolidated for hearing and decision purposes, as both parties presented one (1) set of evidence for both subjects.

Appellant explained subjects' total combined 2013 net income was \$31,747. Appellant suggested the subject properties be valued based on actual income and expense data. Further, Appellant contended the sales provided by Respondent were superior to subject and generally not comparable.

In support of subjects' land values, Respondent provided information on five (5) unimproved commercial sales. The sales took place between 2001 and 2013. Sale prices ranged from \$6 to \$34 per square foot. Applying an \$11 per square foot rate derived from land sales information, Respondent determined a combined land value of \$176,374 for the subjects.

Respondent also employed the sales comparison approach. Information was provided on three (3) 2012 improved commercial sales. Sale prices ranged from \$325,000 to \$1,835,000. After removing land values, the indicated price rates were between \$90 and \$210 per square foot for the improvements.

Respondent also provided a cost approach for the improvements. Respondent calculated

a total base replacement cost new of \$589,774 for both buildings and the asphalt paving. A depreciation factor of 55% was used, resulting in a total combined improvement value of \$265,400.

Lastly, Respondent looked to rental rates from the local office rental market for its income approach analysis. Respondent estimated a potential gross income based on \$18 per square foot, or \$89,856. Respondent factored in a 15% vacancy rate, 40% for operating expenses, and \$1,797 for replacement reserves. An 8.5% overall capitalization rate was applied, which resulted in a total improvements' value of \$278,192. Adding the land, a total property value of \$454,566 was determined for subjects' from the income approach.

In Respondent's final reconciliation, each value estimate was weighted as follows: cost approach 10%, sales comparison approach 30%, and income approach 60%, for a total improvement value of \$283,311. This resulted in a suggested total value for the land and improvements of \$459,685. Subjects' total assessed value is \$350,456, which Respondent noted was less than indicated by the three (3) approaches to value.

### CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value, or as applicable exempt status. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

Idaho Code § 63-205 requires taxable property be assessed at market value annually on January 1; January 1, 2014 in this case. Market value is defined in Idaho Code § 63-201, as,

“Market value” means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

Market value is estimated according to recognized appraisal methods and techniques. There are three (3) approaches to value, the sales comparison approach, the cost approach, and the income approach. In a unique way, each approach considers the available information on recent comparable sales.

In order to find market value, consideration must be given to the most applicable sales data. In this regard, Appellant did not provide any sales data. Instead an actual cash flow statement for subjects’ was provided. It was contended actual cash flow is what should be considered when valuing subjects for assessment purposes. Appellant determined a total market value of \$210,000 for the two (2) subject properties. We find using only subjects’ cash flow does not necessarily equate to market value. In determining market value consideration must be given to market rents, not just the income of a single operator at a point in time.

Respondent looked to the three (3) valuation approaches to arrive at its value conclusion. In all, subjects’ total assessed value appears reasonable. Ultimately, Respondent’s appraisal was judged by the Board to present a superior valuation analysis of subjects compared to the limited evidence offered by Appellant. Pursuant to Idaho Code § 63-511, the burden is on Appellant to prove error in subjects’ assessed values by a preponderance of the evidence. In this appeal, the burden of proof was not met. Respondent’s valuation appeared reasonable and no error in the assessments was proven. Accordingly, the Board will affirm the decisions of the Bannock County Board of Equalization.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decisions of the Bannock County Board of Equalization concerning the subject parcels be, and the same hereby are, AFFIRMED.

DATED this 16<sup>th</sup> day of March, 2015.